BRIEF IN SUPPORT OF PETITION.

The Opinions of the Courts Below.

The opinion of the District Court for the District of Delaware is set forth at R. 45, and is reported in 33 F. Supp. 625.

The opinion of the Circuit Court of Appeals for the Third Circuit (R. 55) is reported in 115 F. (2d) 980.

Jurisdiction.

The grounds on which the jurisdiction of this Court is invoked are stated in the foregoing petition, and in the interest of brevity are not here repeated.

Statement of the Case.

The facts have been stated in the petition. In the interest of brevity, they will not be here repeated.

Specification of Errors.

The errors which petitioners will urge, if the writ of certiorari is granted, are that the Circuit Court of Appeals for the Third Circuit erred

(1) in holding that an "actual controversy" within the meaning of the Federal Declaratory Judgment Act (28 USC §400) existed between the respondent, the petitioners, and each of them, when the complaint in the present suit was filed;

(2) in holding that respondent's conduct, evinced by its letters, was not so inconsistent with standards of honesty, fair dealing and natural justice as to preclude respondent from maintaining its action under the Federal Declaratory Judgment Act;

(3) in reversing the order or judgment of the District Court dismissing the complaint.

Summary of Argument.

The points of the argument will be taken up in the order of their statement under reasons relied on for allowance of the writ, as stated in the petition.

POINT I.

The Circuit Court of Appeals for the Third Circuit has decided an important question of Federal law which has not been but should be settled by this Court.

This Point involves the construction of the Federal Declaratory Judgment Act, 28 U. S. C. §400.

The effect of the decision of the Court below is that the sending by a patent owner of a notice of infringement pursuant to RS4900, 35 U.S.C. §49, to one believed to be infringing the patent, gives rise to an "actual controversy" between the alleged infringer on the one hand and the patent owner and its exclusive licensee on the other hand.

In so holding, the Court below decided not only a question of Federal law that has not been decided by this Court, but one of such wide practical effect that it is believed the question should be decided by this Court. Indeed, the decision of the Court below nullifies, in practical effect, RS4900. The inevitable consequence is that patent owners will institute patent infringement suits, without any prior communications with the infringer, against any person believed to be infringing.

The result will be greatly increased numbers of patent infringement suits.

The question decided is thus of broad public interest, not only to the owners of patents, but to the public at large, as well. This question may be subdivided into several sections.

A. As to when an actual controversy comes into existence.

In *Aetna Life Insurance Company* v. *Haworth*, 300 U. S. 227, 240-21, this Court, in construing the Federal Declaratory Judgment Act, said:

> "The controversy must be definite and concrete, touching the legal relations of parties having adverse legal interests (citing cases). It must be a real and substantial controversy admitting of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts."

If there was a controversy between petitioners and respondent immediately upon the writing of the letter pursuant to RS4900 by The Girdler Corporation, what was the controversy? Was it with respect to the validity of Patent Re. 21,406, or with respect to respondent's infringement thereof, or was it with respect to a license thereunder or the terms thereof? Respondent took no position on any of these points.

Unless the controversy was then "definite and concrete", how can a controversy be said to have existed between the parties prior to the filing of the complaint herein?

In any event, what evidence is there of a controversy of any character between Cherry-Burrell Corporation, which did not give any notice under RS4900, and The Creamery Package Manufacturing Company?

The decision of the Court below upon this point is in conflict with the decisions of other courts.

In *Board of Com'rs for Buras Levee District* v. *Cockrell*, 91 F. (2d) 412, 413, the Circuit Court of Appeals for the Fifth Circuit, in speaking of the Declaratory Judgment Act, said:

> "The act does not alter the character of the controversies which are the subject of the federal judicial power under the Constitution. *United States* v. *West Virginia*, 295 U. S. 463, 464, 55 S. Ct. 789, 79 L. Ed. 1546. General contentions between the parties which have not become a definite and concrete controversy will not suffice. *Ashwander* v. *Tenn. Valley Authority*, 297 U. S. 288, 289, 56 S. Ct. 466, 80 L. Ed. 688."

In *New Discoveries, Inc.* v. *Wisconsin Alumni Research Foundation*, 13 F. Supp. 596 (W. D. Wis.), the Court, in dismissing the petition for a declaratory judgment based solely upon a patent notice, held:

> "The fact that defendant may have notified plaintiff or others that the use of plaintiff's processes would constitute an infringement of defendant's patents does not give rise to an actual controversy (p. 598).
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> "The mere fact that the plaintiff expects the defendant to bring an infringement action against it or its licensees does not entitle the plaintiff to main-

tain its present action to have declared that defendant has not a good cause of action against plaintiff or its licensees. The complaint reveals no actual controversy ripe for adjudication" (p. 599).

Petersime Incubator Company v. *Bundy Incubator Company*, 34 USPQ. 251 (D. C. Ohio), was an action for a declaratory judgment with respect to plaintiff's infringement of certain patents which defendant had charged it with infringing. The Court said:

> "The court is of opinion that in order to establish an actual controversy in such a case as that now before the court it is necessary for plaintiff to allege and prove that in making the representations alleged to have been made that they were made by defendant in bad faith. Prior to the present statute injunctions were granted against a patentee who in bad faith and with malicious intent harassed his competitor and his competitor's trade. *Emack* v. *Kane*, 34 Fed. 46. The question of good faith or bad faith is the gravamen of the charge. A patentee has always had the right to express his opinion as to infringement so long as it is done in good faith. *Robbins* v. *Petersime*, 51 F. (2d) 174, 178; *New Discoveries* v. *Wisconsin Alumni Research Foundation*, 13 F. Supp. 596. This claim of bad faith must show on the face of the bill (p. 253).
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> "Mere difference of opinion as to whether a given device does or does not infringe a patent does not in and of itself create a condition of 'actual controversy' within the meaning of the Act" (p. 256).

This Court in *United States* v. *West Virginia*, 295 U. S. 463, said (p. 474):

> "There is no support for the contention that the judicial power extends to the adjudication of such differences of opinion. Only when they become the subject of controversy in the constitutional sense are they susceptible of judicial determination."

B. As to the need for the parties to take adverse positions to create an actual controversy.

In *Aetna Life Ins. Co.* v. *Haworth*, 300 U. S. 227, 236, this Court said:

> "The question presented is whether the District Court had jurisdiction of this suit under the Federal Declaratory Judgment Act."

At page 242, it added:

> "Second—There is here a dispute between parties who face each other in an adversary proceeding. The dispute relates to legal rights and obligations arising from the contracts of insurance. The dispute is definite and concrete, not hypothetical or abstract. *Prior to this suit, the parties had taken adverse positions with respect to their existing obligations.*"*

In *Lances et al.* v. *Letz*, 115 F. (2d) 916 (CCA2), the Court in a suit instituted Nov. 17, 1939, found that there was an actual controversy, because the charges of infringement had been made on Feb. 4, 1939, and that

> "On March 22, their (plaintiffs') attorney wrote defendant's counsel that the garments manufactured by his clients did not infringe any claims of the patent, that plaintiffs' article in question was in public use prior to defendant's pa'ent application, * * * and that they had 'still other evidence' to show that defendant's claims were 'entirely invalid' because of prior art."

In *E. W. Bliss Company* v. *Cold Metal Process Co.*, 102 F. (2d) 105 (CCA 6), the Court found that there was an actual controversy where, as stated by the Court:

> "The bill charges that the plaintiff * * * had advised the defendant that its patents were invalid and not infringed, but that the defendant had refused or neglected for a period of five years to bring suit against the plaintiff on its patents, and had continued to threaten the plaintiff, its customers and prospective customers, by reason of which the plaintiff had suffered damage (p. 107).
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* Italics are counsel's throughout this brief.

"The plaintiff * * * has invited suit against it upon the patents without response" (p. 108).

The question as to whether or not the taking of such adverse positions is essential to the existence of an "actual controversy" has not been settled by this Court.

C. As to the proper exercise of discretion in declining jurisdiction where there is a pending suit involving the same issues.

This Court in *Rogers* v. *Guaranty Trust Co. of New York*, 288 U. S. 123, has said:

> "While the District Court had jurisdiction to adjudge the rights of the parties, it does not follow that it was bound to exert that power.
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> "It was free in the exercise of a sound discretion to decline to pass upon the merits of the controversy and to relegate plaintiff to an appropriate forum.
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> "But it safely may be said that jurisdiction will be declined whenever considerations of convenience, efficiency, and justice point to the courts of the state of the domicile as appropriate tribunals for the determination of the particular case" (pp. 130, 131).

Although that was not an action under the Declaratory Judgment Act, the Court of Appeals for the Seventh Circuit, in *American Automobile Ins. Co.* v. *Freundt, et al.*, 103 F. (2d) 613, 616, quoted the foregoing in considering the discretionary power conferred upon courts by the Declaratory Judgment Act, and followed that decision in holding that the District Court exercised sound discretion in sustaining a motion to dismiss. It said (p. 617):

> "The precise question here presented has not been passed upon by the Supreme Court."

It quoted the following from *Borchard on Declaratory Judgments*, pages 109, 110, referring to that book as "an authoritative work":

> "* * * the court will refuse a declaration where another court has jurisdiction of the issue, where a proceeding involving identical issues is already pending in another tribunal, * * *
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"where the defendant's action is *about to begin* or has begun, it serves no sensible end to permit a plaintiff to appear as equitable actor and start the proceedings for an autonomous declaration that he has a good defense to his opponent's pending or imminent action" (pp. 617, 618).

In *Zenie Bros.* v. *Miskend et al.*, 10 F. Supp. 779, 782 (S. D. N. Y.), Judge Patterson said:

"Where more effective relief may be obtained by other proceedings, and consequently a declaratory judgment would not serve a useful purpose, the courts are justified in refusing a declaration. Borchard on Declaratory Judgments, pp. 109, 110. There is undoubtedly a discretion in the courts in reference to entertaining suit for declaratory judgment. The statute does not command action in all cases; it provides that the courts 'shall have power' to declare rights and relations."

In *Automotive Equipment Inc.* v. *Trico Products Corp.*, 11 F. Supp. 292, 293 (W. D. N. Y.), Judge Knight in granting a motion to dismiss, said:

"It is difficult to define precisely the full purposes served or intended by the Declaratory Judgment Act. An actual controversy must exist. The act is not exclusive. It affords an alternative remedy. It provides a remedy in certain controversies where no other is available. Borchard on Declaratory Judgments, p. 147 et seq. In this suit another remedy is available."

In *Aetna Casualty & Surety Co.* v. *Yeatts*, 99 F. (2d) 665, 669 (CCA 4) the Court said that:

"* * * the court should not decide the disputed question if the result would be merely to anticipate the trial of an issue involved in a pending case or to determine the validity of a defense which could be tried equally well therein."

Judge Knox of the Southern District of New York, followed the principle of these cases, in *Acticarbone Corporation* v. *National Carbon Company*, Equity No. 82/97, decided June 30, 1936. The Opinion is not officially re-

ported, but a certified copy is in this record (R. 44, 45). In dismissing the petition he said:

> "However, since the filing of the original petition respondent has asserted the rights it claims against petitioner in an ordinary patent suit. In that action the disputes of the parties may be determined.
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> "Having regard for the fact that all the issues there to be tried will be actual, and wholly unincumbered by the presence of a number that may be merely academic, I have concluded, in the exercise of discretion, to dismiss the petition and its amendments, and require the controversies to be presented in the suit in which respondent is complainant."

In all of these cases under the Declaratory Judgment Act, the Courts found that there was another pending suit involving the same issues, and in which those issues could be tried at least equally as well. In each case the Court, in the exercise of its discretion, required the controversy to be settled in the other and more appropriate forum.

The decision of the Court below brings into a state of further confusion and uncertainty the construction put upon the Declaratory Judgment Act by the several Federal Courts and other authorities in relation to the discretionary power of the District Court to refuse to entertain such an action, under facts here present.

It is believed, therefore, that this question is one of such wide and general importance, that the instant case should be reviewed and the question decided by this Court.

POINT II.

The Circuit Court of Appeals for the Third Circuit has decided a Federal question in a way probably in conflict with applicable decisions of this Court.

The statement of the caption is true with regard to the decision of the Court below (1) that an "actual controversy" existed, and (2) approving the conduct of respondent.

It is believed that the instant case is probably in conflict with *Aetna Life Ins. Co.* v. *Haworth*, in that in the instant case the parties had not taken "adverse positions" with respect to the validity or infringement of Patent

Re. 21,406 at any time prior to the filing by respondent of its complaint in the declaratory judgment action in Delaware.

It is believed that the instant case is probably in conflict with *Rogers* v. *Guaranty Trust Co. of New York*, in that in the instant case jurisdiction was not declined, although there was a pending suit involving the same issues, and in the state in which the main offices of two of the parties hereto were located.

The decision of the Circuit Court of Appeals for the Third Circuit approved the conduct of respondent in assuring petitioners that it would communicate further with them, although it did not do so, and filed its complaint in Delaware on the second day after the letters were written. The decision is probably in conflict with applicable decisions of this Court, in which it refused to become the "abetter of iniquity".

In *Keystone Co.* v. *Excavator Co.*, 290 U. S. 240, 245, this Court said:

> "This Court has declared: 'It is a principle in chancery, that he who asks relief must have acted in good faith. The equitable powers of this court can never be exerted in behalf of one who has acted fraudulently or who by deceit or any unfair means has gained an advantage. *To aid a party in such a case would make this court the abetter of iniquity.*' *Bein* v. *Heath*, 6 How. 228, 247. And again: 'A court of equity acts only when and as conscience commands, and if the conduct of the plaintiff be *offensive to the dictates of natural justice*, then, whatever may be the rights he possesses and whatever use he may make of them in a court of law, he will be held remediless in a court of equity.' *Dawesse* v. *Reinhard*, 165 U. S. 386, 390."

In *R. H. Stearns Co.* v. *United States*, 291 U. S. 54, 62, the view of this Court was expressed in these words:

> "A suit may not be built on an omission induced by him who sues."

The acts of respondent are evinced by unquestioned documents. Consequently, there arises no question of fact. The foregoing cases likewise establish that a court

of equity will never aid one who has acted fraudulently or who by deceit or any unfair means has gained an advantage, and that for a court of equity to aid such a party would make the court the abetter of the iniquity. Not only is the decision of the Court below approving of the conduct of respondent probably in conflict with applicable decisions of this Court, but it presents the further question as to whether the Federal Declaratory Judgment Act is to be construed as being so far distant from the field of equity and good conscience that the doctrine of unclean hands is without application in actions instituted under that Act.

Can it be that acts that would be offensive to the dictates of natural justice in a court of equity may nevertheless receive the approbation of a court, when proceeding under the Federal Declaratory Judgment Act?

Can it be that the acts of respondent evinced by its letters and its filing of its declaratory judgment action under the screen of those letters, are so consistent with the dictates of natural justice and proper standards of business men that they should receive the stamp of approval of Federal Courts, and thus become the datum by which relations between man and man are to be fixed?

It is believed that the decision of the Court below in approving, in effect, the acts of respondent as evinced by its letters, is one of such far-reaching effect not only in the field of the patent law, but wherever honesty, fair dealing and high ethical standards should prevail, that in the public interest and in the interest of natural justice, the decision of the Court below should be reviewed by this Court.

POINT III.

The decision of the Circuit Court of Appeals for the Third Circuit is in conflict with the decisions of Federal Courts in other circuits.

The cases with which the decision of the Circuit Court of Appeals for the Third Circuit is in conflict are set out under Point I at pages 8 to 14 inclusive, hereof.

CONCLUSION.

WHEREFORE, in the interest of certain and uniform interpretation of the Declaratory Judgment Act as applied in the broad field of patent cases, and in the interest of the maintenance by the Federal Courts of honesty and fair dealing on the part of those who seek their aid, petitioners pray that the decision of the Court below be reviewed and reversed by this Honorable Court, and to that end that the writ of certiorari be granted.

Respectfully submitted,

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